K92 MINING INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Presented in United States Dollars)
(Unaudited)

FOR THE NINE-MONTH PERIOD ENDED MAY 31, 2016

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

K92 MINING INC. (Formerly Otterburn Resources Corp.)
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Presented in United States Dollars)
(Unaudited)
AS AT

	May 31, 2016	August 31, 2015
ASSETS		
Current		
Cash	$ 1,953,184	$ 162,849
Receivables	56,111	21,806
Inventory (Note 6)	597,540	544,175
Prepayments	193,944	7,829
	2,800,779	736,659
Property, plant and equipment (Note 8)	3,895,084	2,023,293
Exploration and evaluation assets (Note 7)	1,885,480	1,885,480
	$ 8,581,343	$ 4,645,432
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 9)	$ 2,861,422	$ 2,520,808
Deferred revenue (Note 11)	950,763	-
Loans (Note 10)	44,714	1,433,003
	3,856,899	3,953,811
Deferred revenue (Note 11)	3,450,585	-
Reclamation and closure cost obligations (Note 12)	1,867,995	1,852,183
	9,175,479	5,805,994
Shareholders' equity (deficit)		
Share capital (Note 13)	7,930,665	2,817,692
Contributed surplus (Note 13)	1,571,973	30,744
Deficit	(10,096,774)	(4,008,998)
	(594,136)	(1,160,562)
	$ 8,581,343	$ 4,645,432

Nature of business and going concern (Note 1)
Subsequent events (Note 18)

Approved and authorized by the Board of Directors on July 27, 2016:

"Saurabh Handa" Director *"R. Stuart Angus"* Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

K92 MINING INC. (Formerly Otterburn Resources Corp.)
CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Presented in United States Dollars)
(Unaudited)

	For the three months ended May 31, 2016	For the three months ended May 31, 2015	For the nine months ended May 31, 2016	For the nine months ended May 31, 2015
EXPENSES				
Accretion expense (Note 12)	$ 66,674	$ -	$ 122,663	$ -
Amortization (Note 8)	35,210	35,557	110,525	35,557
Business development	62,058	-	62,058	-
Consulting	119,587	128,679	531,549	452,000
Due diligence	-	123,049	-	674,765
Exploration and evaluation expenditures	8,592	-	8,592	-
Financing fee	230,000	-	367,542	-
Foreign exchange loss/(gain)	(16,774)	(23,270)	(35,495)	(954)
General and indirect mining administration expense	1,476,106	756,915	2,494,611	756,915
Interest expense	19,419	10,516	54,280	10,516
Investor relations	76,620	-	76,620	-
Office and administrative	123,432	89,745	145,788	182,228
Professional fees	263,183	(68,756)	543,126	246,752
Share-based payments	48,355	-	48,355	-
Shareholder communication	170,000	-	170,000	-
Travel	49,723	96,493	151,751	338,709
	$ (2,732,185)	$ (1,148,928)	$ (4,851,965)	$ (2,696,488)
OTHER				
Gain on settlement of debt	338,721	-	383,721	-
Listing expense (Note 4)	(1,619,532)	-	(1,619,532)	-
Loss and comprehensive loss for the period	$ (4,012,996)	$ (1,148,928)	$ (6,087,776)	$ (2,696,488)
Basic and diluted loss per share	$ (0.08)	$ (0.02)	$ (0.12)	$ (0.06)
Weighted average number of common shares outstanding	52,288,697	49,126,666	50,188,370	47,189,670

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

K92 MINING INC. (Formerly Otterburn Resources Corp.)
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Presented in United States Dollars)
(Unaudited)

	For the nine months ended May 31, 2016	For the nine months ended May 31, 2015
CASH FROM OPERATING ACTIVITIES		
Loss for the period	$ (6,087,776)	$ (2,696,488)
Items not affecting cash:		
Unrealized foreign exchange loss	380,935	(35,729)
Accrued interest	54,280	10,516
Accretion expense (Note 12)	122,663	-
Share-based payments (Note 13)	48,355	-
Amortization (Note 8)	110,525	35,557
Gain on settlement of debt	(383,721)	-
Changes in non-cash working capital items:		
Deferred revenue (Note 11)	4,401,348	-
Inventory	(53,365)	20,533
Receivables	(32,323)	(15,730)
Prepayments	(164,038)	(8,166)
Accounts payable and accrued liabilities	290,012	1,503,160
Net cash used in operating activities	(1,313,105)	(1,186,347)
CASH FROM INVESTING ACTIVITIES		
Acquisition of Barrick (Kainantu) Limited (Note 5)	-	(1,257,825)
Acquisition of Otterburn Resources Corp. (Note 4)	1,472,329	-
Acquisition of Property, plant and equipment (Note 8)	(1,982,316)	-
Net cash used in investing activities	(509,987)	(1,257,825)
CASH FROM FINANCING ACTIVITIES		
Proceeds on issuance of capital stock (Note 13)	-	733,715
Loans received by the Company	50,922	355,398
Loans repaid by the Company	(387,674)	-
Loans received from Otterburn prior to RTO (Note 4)	3,964,129	961,792
Share issuance costs (Note 12)	(13,950)	(26,478)
Return of capital	-	(17,579)
Net cash provided by financing activities	3,613,427	2,006,848
Change in cash during the period	1,790,335	(437,324)
Cash, beginning of period	162,849	1,154,737
Cash, end of period	$ 1,953,184	$ 717,413
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 17)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

K92 MINING INC. (Formerly Otterburn Resources Corp.)
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Presented in United States Dollars)
(Unaudited)

	Share capital					
	Number	**Amount**	**Subscriptions received in advance**	**Contributed surplus**	**Deficit**	**Total**
Balance at August 31, 2014	31,500,000	$ 399,997	$ 1,710,458	$ 48,323	$ (558,764)	$ 1,600,014
Private placements (Note 11)	17,626,666	2,444,173	(1,710,458)	-	-	733,715
Return of capital	-	-	-	(17,579)	-	(17,579)
Share issuance costs (Note 11)	-	(26,478)	-	-	-	(26,478)
Loss for the period	-	-	-	-	(2,696,488)	(2,696,488)
Balance at May 31, 2015	49,126,666	2,817,692	-	30,744	(3,255,252)	(406,816)
Loss for the period	-	-	-	-	(753,746)	(753,746)
Balance at August 31, 2015	49,126,666	2,817,692	-	30,744	(4,008,998)	(1,160,562)
Acquisition of Otterburn Resources Corp. (Note 4)	4,459,775	906,432	-	-	-	906,432
Private placements (Note 13)	21,393,608	4,293,186	-	1,420,179	-	5,713,365
Share issuance costs, shares (Note 13)	592,700	118,941	-	-	-	118,941
Share issuance costs, shares (Note 13)	-	(118,941)	-	-	-	(118,941)
Share issuance costs, warrants (Note 13)	-	(72,695)	-	72,695	-	-
Share issuance costs, cash (Note 13)	-	(13,950)	-	-	-	(13,950)
Share-based payments (Note 13)	-	-	-	48,355	-	48,355
Loss for the period	-	-	-	-	(6,087,776)	(6,087,776)
Balance at May 31, 2016	75,572,749	$ 7,930,665	$ -	$ 1,571,973	$ (10,096,774)	$ (594,136)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF BUSINESS AND GOING CONCERN

K92 Mining Inc. (formerly Otterburn Resources Corp.) (the "**Company**") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on March 22, 2010. The Company's shares are listed on Tier 1 of the TSX Venture Exchange ("**TSX-V**") under the symbol KNT. The Company is currently engaged in the exploration and development of mineral deposits in Papua New Guinea, specifically the Kainantu Project that includes Irumafima mine and mill and the Kora deposit.

The Company's head office and principal address is 488 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3B7. The registered and records office is 550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

As at May 31, 2016, the Company had a cumulative deficit of $10,096,774, working capital deficit of $1,056,120 and cash of $1,953,184. The Company will require additional funds to restart mining operations at Irumafimpa to fund and maintain general and administrative expenses over the coming year and to settle current liabilities when they fall due. There can be no assurance that adequate additional financing will be available at terms acceptable to the Company or at all which could have material adverse impact on the Company's ability to continue as a going concern.

The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations; these adjustments could be material. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

REVERSE TAKEOVER

On May 20, 2016, the Company and K92 Holdings International Inc. ("**K92 Intl**"), entered in to a Share Exchange Agreement ("**SEA**") whereby the Company acquired all of the outstanding shares of K92 Intl, being 49,126,666 shares, in consideration for securities of the Company on a 1 for 1 basis. After completion of the SEA, the shareholders of K92 Intl held approximately 91.58% of the Company. Accordingly, K92 Intl is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by K92 Intl shareholders (the "**RTO**").

As K92 Intl is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on March 8, 2012 are included in the consolidated financial statements at their historical carrying value. The Company's results of operations are included from May 20, 2016 onwards, the closing date.

Concurrent with the RTO, the Company completed a $5,713,365 private placement (the "**Financing**") ("Note 13").

2. BASIS OF PREPARATION

Basis of Presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), applicable to preparation of the interim financial statements, including IAS 34, Interim Financial Reporting. Accordingly, these condensed consolidated interim financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

2. BASIS OF PREPARATION (cont'd…)

Basis of Presentation (cont'd…)

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited consolidated financial statements for year ended August 31, 2015 found in the Company's Management Information Circular.

Results for the nine-month period ended May 31, 2016, are not necessarily indicative of results that may be expected for the full year ending August 31, 2016.

The condensed consolidated interim financial statements of the Company are presented in United States dollars, which is the functional currency of K92 Mining Ltd. and K92 Holdings International Limited. The parent company, K92 Mining Inc.'s functional currency is the Canadian Dollar.

Significant Accounting Policies

These condensed consolidated interim financial statements should be read together with the audited consolidated financial statements for the year ended August 31, 2015 which in Note 3 detail all significant accounting policies adopted by the Company with the exception of the following new significant accounting policies:

Deferred revenue

Deferred revenue relates to the initial upfront deposit received from CRH Funding II Pte. Ltd. ("**CRH**") in exchange for the future delivery of gold ounces under the gold prepayment agreement (the "**GPA**") (Note 11). As deliveries of gold are made to CRH, the Company recognizes a portion of the deferred revenue as operating revenue. The amount recognized is based on the proportion of gold ounces delivered to CRH in the period.

The Company's accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

Significant accounting judgements, estimates and assumptions

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgement uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

Exploration and evaluation

The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

Going concern

The assessment of the Company's ability to continue as a going concern involves critical judgement based on historical experience. Significant judgements are used in the Company's assessment of its ability to continue as a going concern which is described in Note 1.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting judgements, estimates and assumptions (cont'd…)

Acquisition accounting

The Company has accounted for the Acquisition of Barrick (Kainantu) Limited as an asset acquisition. Significant judgment and estimates were required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that Barrick (Kainantu) Limited was not considered a business under IFRS 3: Business combinations, the basis for the calculation of the fair value of the consideration transferred and the estimate of the fair value of the net assets acquired.

Rehabilitation and restoration provision

The Company has obligations for the future restoration of its mining tenements. In most instances, removal of assets and restoration of surrounding area occurs many years into the future. This requires judgmental assumptions regarding removal date, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining removal cost, and asset specific discount rates to determine the present value of these cash flows.

Estimated useful lives

The useful life of some of the Company's items of property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment would increase the recorded operating expenses and decrease long-term assets.

Landowners' compensation

The Company has obligations to compensate landowners annually who were affected by the operations of the Kainantu mine. These compensations are government by the Papua New Guinean Mining Act 1992 and land and environment compensation agreement ("**CA**") for Mining Lease 150 ("**ML 150**") that the prior owner of Kainantu mine entered into with the Billmoia Landowners Association Incorporation ("**BLA**") and certain landowners / clans listed in the agreement. The actual recipients of the compensation determined under the CA and landowners' share of sales royalty could not be paid as required under the CA until the legitimate landowners were identified by the Papua New Guinean Land Titles Commission ("**LTC**") and so compensation payments were accrued.

The estimation of landowners' compensation in Kainantu requires significant judgmental assumptions regarding compensation rates land area affected by the mining activities. The principal factors that cause expected cash flows to change are: changes in the land area lost due to mining or other activities; changes in compensation rates; future claims for additional compensations and in particular individual one off compensations that are found to be legitimate and requiring additional payments.

The amount of landowners' compensation provision for Kainantu mine as of May 31, 2016 was $554,662 (1.7 million Papua New Guinea Kina) reflects expected cost.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting judgements, estimates and assumptions (cont'd…)

Income tax

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC that are not mandatory for accounting periods beginning on or after September 1, 2015 or later periods. They have not been early adopted in these condensed consolidated interim financial statements, and they are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized costs, fair value through OCI and fair value through P&L. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently evaluating the impact of this Standard.

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations. FRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is still in the process of assessing the impact, if any, on the financial statements of this new standard.

IFRS 16 Leases will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15 Revenue from Contracts with Customers. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(Presented in United States Dollars)

4. ACQUISITION OF OTTERBURN RESOURCES CORP.

On May 20, 2016, the Company and K92 Intl completed the SEA whereby the Company acquired all of the issued and outstanding shares of K92 Intl, being 49,126,666 shares, in consideration for securities of the Company on a 1 for 1 basis. After the completion of the SEA, the shareholders of K92 Intl held approximately 91.58% of the Company. Accordingly, K92 Intl is considered to have acquired the Company with the SEA being accounted as a reverse takeover of the Company by K92 Intl shareholders.

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, Business Combination. Additionally, as a result of the RTO, the statement of financial position has been adjusted for the elimination of the Company's share capital, contributed surplus and accumulated deficit within shareholders' equity.

As a result of this asset acquisition, a listing expense of $1,619,532 has been recorded. This reflects the difference between the estimated fair value of the K92 Intl shares deemed to have been issued to the Company's shareholders less the net fair value of the assets of the Company acquired.

In accordance with reverse acquisition accounting:

i) The assets and liabilities of K92 Intl are included in the statement of financial position at their carrying values.

ii) The net assets of the Company are included at their fair value of $(713,100).

Net assets acquired:		
Cash	$	1,472,329
Accounts receivable		1,982
Prepaid expenses		22,077
Loan receivable		3,964,129
Subscription receipts		(5,713,365)
Accounts payable and accrued liabilities		(434,323)
Loans payable		(25,929)
Fair value of net liabilities	$	(713,100)

iii) The listing expense of $1,619,532 was determined as follows:

a. The number of Company common shares held by former K92 Intl shareholders outstanding is 49,126,666 or 91.58% of the combined entity.

b. The fair value of K92 Intl is $9,858,548, which is based on the Financing price of approximately $0.2007 per common share.

c. Number of outstanding shares of the Company prior to the Financing was 4,516,894 or 8.42% of the combined entity.

d. The fair value of the shares issued to acquire the Company under the reverse acquisition accounting was $906,432 calculated as 4,516,894 common shares at approximately $0.2007 per share.

e. The difference between the fair value of $906,432 being the consideration paid, and the fair value of the net liabilities of the Company of $713,100 amounted to a net listing expense, after elimination of intercompany gains, of $1,619,532

(Presented in United States Dollars)

4. ACQUISITION OF OTTERBURN RESOURCES CORP. (cont'd)

The above acquisition price allocation is considered preliminary and may change before being considered final.

5. ACQUISITION OF BARRICK (KAINANTU) LIMITED

Through its wholly owned subsidiary, K92 Holdings (PNG) Limited ("**K92PNG**"), on June 10, 2014, K92 Intl entered into a Share Sale Agreement ("**SSA**") with Barrick (Niugini) Limited ("**Barrick**"), Mt Apex Investment Holdings Limited ("**Apex**"), and Otterburn, whereby K92PNG agreed to acquire all of the outstanding shares of Barrick's wholly owned Papua New Guinea subsidiary, Barrick (Kainantu) Limited ("**Kainantu**"), that holds certain assets and mineral rights and interests in Papua New Guinea.

As consideration, K92PNG agreed to pay up to $62,000,000 as follows:

- $2,000,000 (paid);

- $20,000,000 upon K92PNG determining the existence of at least 1,000,000 gold equivalent ounces within 10 years, classified as a measured, indicated, probable ore resource, or a proven ore reserve equivalent ounce of gold in accordance with Australasian Code for Reporting Results, Mineral Resources and Ore Reserves; plus, cumulative production ("**Earn-Out Ounces**"); and

- $5,000,000 for every 250,000 ounces in excess of the Earn-Out Ounces achieved by K92PNG within 10 years, up to a maximum of 2,000,000 ounces or $40,000,000 in aggregate.

Pursuant to the PNG Mining Act, a 2% net smelter returns royalty, and a 0.25% levy on gross mine revenues are payable to the PNG government.

The SSA was contingent on the renewal of the mining leases which were renewed on January 23, 2015 for a period of 10 years effective from June 14, 2014 through June 13, 2024. Management has valued the consideration to be paid for Earn-Out Ounces at $Nil.

On March 6, 2015, K92 Intl completed the SSA with Barrick. The cost of the acquisition was $2,525,220 consisting of $2,000,000 in cash and $525,220 in transaction costs.

The transaction has been accounted for as an asset acquisition of exploration and evaluation assets and related assets and liabilities using the purchase method, rather than as a business combination, as the net assets acquired did not represent a business.

The total purchase price of $2,525,220 was allocated to the net assets of Kainantu as follows:

Net assets acquired:		
Cash	$	767,395
Inventory		551,489
Property, plant and equipment		2,096,888
Exploration and evaluation assets		1,885,480
Accounts payable and accrued liabilities		(767,395)
Reclamation and closure cost obligations		(2,008,637)
Purchase price	$	2,525,220

(Presented in United States Dollars)

6. INVENTORY

Inventory of $597,540 as of May 31, 2016 (August 31, 2015 - $544,175) consists of mine supplies, consumables and fuel.

7. EXPLORATION AND EVALUATION ASSETS

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties.

Mining Lease 150 ("ML 150")

The Company holds the mining rights to ML 150 until June 13, 2024 subject to the Company refurbishing the Irumafimpa mine and mill by December 31, 2016.

In addition, the Company has agreed to commence mining operations on the Kora deposit located on ML 150 on or before June 30, 2018.

Exploration Licenses ("EL") 470, 693, and 1341

The Company holds certain exploration licenses adjacent to the Company's ML 150 that expire in 2016 and 2017. The Company has not assigned any value to these licenses.

	Acquisition costs	Total
ML 150		
Opening balance (August 31, 2015)	$ 1,885,480	$ 1,885,480
Total costs (May 31, 2016)	$ 1,885,480	$ 1,885,480

(Presented in United States Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Process Plant	Vehicles	Mobile Fleet	Infrastructure - Residence Camp	Infrastructure – Plant Area	Total
Cost						
Balance, August 31, 2014	$ -	$ -	$ -	$ -	$ -	$ -
Asset acquisition (Note 5)	324,304	146,040	677,616	743,058	205,870	2,096,888
Balance, August 31, 2015	324,304	146,040	677,616	743,058	205,870	2,096,888
Additions	1,259,635	-	722,681	-	-	1,982,316
Balance, May 31, 2016	$ 1,583,939	$ 146,040	$ 1,400,297	$ 743,058	$ 205,870	$ 4,079,204
Accumulated depreciation						
Balance, August 31, 2014	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation for the year	-	23,740	-	39,039	10,817	73,595
Balance, August 31, 2015	-	23,740	-	39,039	10,817	73,595
Depreciation for the period	-	34,545	-	56,860	19,120	110,525
Balance, May 31, 2016	$ -	$ 58,285	$ -	$ 95,899	$ 29,936	$ 184,120
Carrying amounts						
As at August 31, 2015	$ 324,304	$ 122,300	$ 677,616	$ 704,020	$ 195,053	$ 2,023,293
As at May 31, 2016	$ 1,583,939	$ 87,755	$ 1,400,297	$ 647,159	$ 175,934	$ 3,895,084

All of the Company's mining properties and related property, plant and equipment are located in Papua New Guinea. The Company has deferred amortizing its process plant and mobile fleet until they are ready to be used in mining operations for their intended use.

9. RELATED PARTY TRANSACTIONS

Key management compensation

During the nine months' period ended May 31, 2016, the Company paid or accrued:

Consulting fees of $112,500 (2015 - $112,500) to a director and CEO of the Company, $67,500 (2015 – $72,821) to the CFO of the Company, $180,000 (2015 - $Nil) to the COO of the Company, $30,000 (2015 - $90,000) to the former COO of the Company, $31,250 (2015 - $Nil) to the current Chairman of the Board, $Nil (2015 - $125,000) to the former Chairman of the Board, and $72,000 (2015 – $72,000) to the president of the Company. The Company also paid professional fees of $6,155 to a Company related to the CFO.

General and administrative fees of $Nil (2015 - $15,000) and due diligence fees of $Nil (2015 - $72,237) to two companies with a director in common.

Included in accounts payable and accrued liabilities is $176,923 (August 31, 2015 - $470,816) due to directors, officers, and companies controlled by directors and officers of the Company that is non-interest bearing and due on demand.

10. LOANS

As at May 31, 2016, the Company had the following loans:

a) Borrowed $18,645 (August 31, 2015 - $Nil) from a director of the Company that bears no interest and is due on demand. This loan was repaid subsequent to period-end.

b) During the year ended August 31, 2015, Otterburn entered in to two loan agreements to borrow $14,500 from each lender. The loans are unsecured and bear interest of 8% per annum. These loans were repaid subsequent to May 31, 2016 including CAD$5,220 in interest.

11. DEFERRED REVENUE AND CRH FINANCING

On February 4, 2016, the Company entered into financing agreements with CRH, an affiliate of Cartesian Royalty Holdings and Cartesian Capital Group, consisting of a gold prepayment investment and an equity investment. Upon signing, the Company drew down the first tranche under the GPA, which as per the GPA must be used for project related expenditures.

Under the GPA, CRH committed to provide the Company with up to $4,813,975 over four tranches in exchange for a percentage of gold produced at Irumafimpa over a 36-month period, subject to a minimum of 18,000 ounces of gold and a maximum of 20,000 ounces of gold.

CRH advanced the first tranche of $962,795 on February 4, 2016, the second tranche of $1,375,421 on March 23, the third tranche of US$2,063,132 on May 10, and the fourth tranche of $412,626 on June 6, 2016 under the GPA.

In addition to the advances under the GPA, CRH committed to an equity investment of up to CAD$3,500,000 in the Company over two tranches, pursuant to which CRH subscribed for up to 10 million units of the Company at CAD$0.35 per unit. CRH advanced the first tranche of CAD$1,900,000 on June 6 and the second tranche of CAD$1,600,000 on July 4, 2016. Each unit consisted of:

- One Class A preferred share, convertible into approximately 1.9 ordinary common shares of the Company. Each Class A preferred share will be redeemable by CRH at 1.5 times the original subscription price if K92 is unable to meet certain conditions, including the delivery requirements of gold under the GPA.

(Presented in United States Dollars)

11. DEFERRED REVENUE CRH FINANCING (cont'd…)

- One warrant entitling CRH to purchase one ordinary share of the Company, exercisable at CAD$0.75 per share for a period of two years following the date of issue. At the discretion of the Company, a forced exercise clause will exist on these warrants if shares of the Company trade at CAD$1.25 or greater and a minimum of 30,000 shares trade each day and a minimum daily average of 100,000 for 10 consecutive days during the two-year term.

As security for the Company's obligations under the GPA and the Class A preferred shares issued to CRH under the equity component, K92 has granted CRH a comprehensive general security interest in all of K92's present and future property, together with specific security granted by the Company's subsidiaries in Papua New Guinea.

As additional consideration for the financing, the Company's wholly owned subsidiaries in Papua New Guinea have granted CRH a 0.25% net smelter return ("**NSR**") royalty on Kora (with a buyback provision of $2,000,000) and a 0.5% NSR on Irumafimpa.

CRH will be entitled to representation on the board of directors of the Company so long as the GPA remains outstanding or CRH maintains at least a 5% equity ownership in the Company.

12. RECLAMATION AND CLOSURE COST OBLIGATIONS

When the Company exhausts or abandons a mining property or an exploration site, it is required to undertake certain reclamation and closure procedures under the terms of the legislation enacted by the Government of Papua New Guinea.

	Nine-month period May 31, 2016	Year ended August 31, 2015
Balance – beginning of period	$ 1,852,183	$ -
Assumed upon acquisition	-	2,008,637
Foreign exchange movement	(106,851)	(156,454)
Accretion	122,663	-
Balance – end of period	$ 1,867,995	$ 1,852,183

The provision has been measured at the estimated value of future rehabilitation costs and estimated mine life of 10 years. The estimated cash-flows were discounted to present value using a risk-free discount rate of 7.84% (2015 – N/A).

Periodically the Company reviews the estimate of future costs of the requisite reclamation and closure work required by current legislative standards. The current total estimate for all properties anticipates undiscounted future cash outflows to meet required legislative standards for reclamation and closure work in the amount of $5,176,457. These future cash outflows have been discounted at the risk-free interest rate considered applicable in Papua New Guinea where the Company's properties are located.

13. SHARE CAPITAL AND RESERVES

During the year ended August 31, 2014, the Board approved the Company splitting its shares from 1 to 4,000,000. This has been reflected retroactively.

(Presented in United States Dollars)

13. SHARE CAPITAL AND RESERVES

Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Issued share capital

As at May 31, 2016, the Company had 75,572,749 common shares issued and outstanding.

Private placements

During the period ended May 31, 2016, the Company issued 21,393,608 units at CAD$0.35 per unit for gross proceeds of CAD$7,487,763 ($5,713,365) (the "**Financing**") of which $4,293,186 in value was attributed to the common shares and $1,420,179 in value was attributed to the warrants. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of CAD$0.50. In connection with the financing, 592,700 common shares with a fair value of $118,941, 741,815 finder warrants with a fair value of $72,695, and cash of $13,950 was recorded as share issuance costs.

During the year ended August 31, 2015, the Company issued 17,626,666 common shares at CAD$0.15 per share for gross proceeds of CAD$2,644,000 ($2,444,173) of which $1,710,458 had been received as at August 31, 2014 and remaining portion during the year ended August 31, 2015. In connection with the financing, share issuance costs of $26,478 were paid. No shares were issued during the six-month period ended February 29, 2016.

Stock options and warrants

Stock option and warrant transactions are summarized as follows:

	Warrants			Stock options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, August 31, 2015	-		-	-	$	-
Granted / Issued	22,135,420		0.50	7,225,000		0.45
Outstanding, May 31, 2016	22,135,420	$	0.50	7,225,000	$	0.45
Number currently exercisable	4,271,225	$	0.50	-	$	-

Stock options outstanding

The following incentive stock options were outstanding at May 31, 2016:

Number	Exercise price	Expiry date
7,225,000	$ 0.45	May 20, 2021

(Presented in United States Dollars)

13. SHARE CAPITAL AND RESERVES (cont'd…)

Warrants outstanding

The following incentive warrants were outstanding at May 31, 2016:

Number	Exercise price	Expiry date
22,135,420	$ 0.50	November 20, 2017

Share-based payments

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant.

During the period ended May 31, 2016, the Company granted 7,225,000 (2015 – Nil) options with a weighted-average fair value of $0.225 per option (2015 - $Nil) to directors, officers and consultants. Total share-based payments recognized in the statement of operations for the period ended May 31, 2016 was $48,711 (2015 – $Nil) for incentive options granted and vested. This amount was also recorded as reserves on the statement of financial position.

The following weighted average assumptions were used for the valuation of stock options:

	2016	2015
Risk-free interest rate	0.60%	N/A
Expected life of options	4 years	N/A
Annualized volatility	100.00%	N/A
Dividend rate	0.00%	N/A
Forfeiture rate	0.00%	N/A

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and receivables approximate their carrying value due to the short-term maturity. Fair value of accounts payable and accrued liabilities and loans payable may be less than the carrying value for some of these instruments given going concern uncertainties described in Note 1.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity risk

The Company has in place a planning and budgeting process to manage its liquidity risk and ensure it has sufficient liquidity to meet liabilities when due. As at May 31, 2016, the Company had a cash balance of $1,953,184 (August 31, 2015 - $162,849) to settle current liabilities of $3,856,899 (August 31, 2015 - $3,953,811). All of the Company's accounts payable and accrued liabilities and loans payable have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company required additional funds to settle the existing liabilities, fund exploration and development expenditures, and maintain general and administrative expenses over the coming year. In order to meet these requirements, subsequent to the period end the Company closed financings totaling CAD$14,500,000 ($10,977,365).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at May 31, 2016, the Company did not have any investments in investment-grade short-term deposit certificates. The Company's loans payable are not exposed to interest rate risk given interest rates on loans are fixed.

b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies. Through this, the Company is exposed to foreign currency risk on fluctuations related to cash, receivables, prepayments, accounts payable and accrued liabilities and reclamation and closure costs obligations that are denominated in Australian Dollars, Papua New Guinea Kina, United States Dollar and Canadian Dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

14. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of acquired Kainantu mine. Capital is comprised of the Company's shareholders' equity. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities.

The Company intends to continue to assess new resource properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

15. SEGMENTED INFORMATION

The Company's exploration and evaluation activities are all located in Papua New Guinea, with its head office function in Canada. All of the Company's capital assets, including property, plant and equipment, and exploration and evaluation assets are located in Papua New Guinea.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended May 31, 2016, the Company issued warrants with a fair value of $72,695 (2015 - $Nil) as share issuance costs.

17. SUBSEQUENT EVENTS

Except as noted above, subsequent to May 31, 2016:

a) The Company completed a non-brokered private placement by issuing 12,500,000 units at a price of CAD$1.00 per unit for gross proceeds of CAD$12,500,000. Each unit consisted of one common share and one half of one share purchase with each whole warrant exercisable at CAD$1.50 for 12 months. As part of the financing, the Company paid $236,180, issued 592,074 common shares and issued 828,354 broker warrants as finder fees.

b) 4,706,151 warrants were exercised for gross proceeds of CAD$2,353,076.

c) The Company completed a non-brokered private placement by issuing 1,709,402 units at a price of CAD$1.17 per unit for gross proceeds of CAD$2,000,000. Each unit consisted of one common share and one share purchase warrant exercisable at CAD$1.75 for 12 months.